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THE BRITISH PETROLEUM COMPANY LIMITED

Annual Report and Accounts

FOR THE YEAR ENDED 31st DECEMBER

1968



Annual Report and Accounts

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The British Petroleum Company Limited

NOTICE IS HEREBY GIVEN that the Sixtieth Annual General Meeting of the Company will be held at Britannic House, Moor Lane, London, E.C.2., on Thursday 8th May 1969, at noon, for the transaction of the following business:—

Resolution No. 1. To consider and adopt the Report of the Directors and the Accounts for the year ended 31st December 1968.

Resolution No. 2. To declare a dividend.

To re-elect the following Directors:—

Resolution No. 3. Lord Trevelyan.

Resolution No. 4. Mr. R. P. Smith.

Resolution No. 5. To fix the remuneration of the Auditors.

By Order of the Board

K. H. PARKE

Secretary

BRITANNIC HOUSE,
MOOR LANE, LONDON, E.C.2.

14th April 1969.

A member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is on page 47.

A holding of Debenture Stock does not entitle a person to attend or to be represented at the meeting.

The dividend, if approved, will be paid on 16th May 1969 to stockholders on the Register on 11th April 1969 which will include transfers accepted for registration on that day.

In compliance with the requirements of the General Undertaking (Companies) given to The Stock Exchange, London, the following documents will be available for inspection at the office of the Registrar, Britannic House, Moor Lane, London, E.C.2., during usual business hours on any weekday (Saturdays excluded) from the date of this Notice until the date of the Annual General Meeting:—

- (i) Statement for the period from 20th March 1968 to 19th March 1969 of transactions of Directors (and of their family interests) in the equity share capital of the Company.
- (ii) Statement in respect of Directors' service contracts with the Company.

These documents will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the Meeting.

FINANCE ACT 1965 TAXATION OF LONG-TERM CAPITAL GAINS

In certain circumstances, when a stockholder sells stock his liability to tax in respect of long-term capital gains is computed by reference to the market value of the stock on 6th April 1965. The market values of BP stocks at that date, for the purposes of the long-term capital gains tax, were:—

*Ordinary Stock	51s. 3d.	per £1 unit of stock
8% First Preference Stock	22s. 6 $\frac{3}{4}$ d.	per £1 unit of stock
9% Second Preference Stock	24s. 10 $\frac{1}{2}$ d.	per £1 unit of stock
5% First Debenture Stock 1974/78	£84	per £100 stock
6% Convertible Debenture Stock 1976/80	£93	per £100 stock

*Since 5th April 1965 there has been a rights issue of one for thirteen at 50s.: the ex-rights date was 28th February 1966.

The Company is not a close company within the meaning of the Finance Act 1965.

Board of Directors

- * A. E. C. DRAKE, C.B.E. (*Chairman*)
- * R. B. DUMMETT (*Deputy Chairman*)
- * A. F. DOWN, O.B.E., M.C., T.D. (*Deputy Chairman*)
- * G. F. ASHFORD, O.B.E.
- * D. W. K. BARKER
- THE RT. HON. LORD COBBOLD, P.C., G.C.V.O.
- * THE HON. W. FRASER, C.M.G., O.B.E., T.D.
- SIR FREDERIC HARMER, C.M.G.
- THE EARL OF INCHCAPE
- W. J. KESWICK
- R. P. SMITH
- * D. E. C. STEEL, D.S.O., M.C.
- THE LORD TREVELYAN, G.C.M.G., C.I.E., O.B.E.
- * *Managing Director*

Secretary K. H. PARKE, T.D.

Registered Office Britannic House, Moor Lane, London, E.C.2.

Bankers National Provincial Bank Ltd.

Solicitors Linklaters & Paines

Auditors Whinney Murray & Co.

Statement to Stockholders by the Chairman

The Hon. Sir Maurice Bridgeman, on reaching the age of 65, retired on 24th January 1969 from his position of Chairman and as a member of the Board. Sir Maurice had served with the company for 43 years, except for a period during the last war when he occupied high positions in the civil service; he had been a managing director for 13 years and Chairman for nearly nine. Long before he reached the top, he was for most of his time at or near the centre of affairs. So his position in BP, and indeed in the industry itself, was unique. His departure will leave a large gap, both because of his unparalleled knowledge of the oil business in all its aspects and particularly of the Middle East, and also because of the enormous range of his friends and acquaintances all over the world, his imperturbability and not least his pungent wit. We all wish Lady Bridgeman and Sir Maurice a long and happy retirement. I also record with regret the retirement as one of our government directors of Lord Robbins, who reached the age of 70 last November. We shall greatly miss his intellectual integrity and his kindliness.

By far the most important matter to which I must refer is BP's progress in the United States. There have been two significant developments. One is the discovery of oil in our Prudhoe Bay acreage in Alaska. This is an area of some 96,000 acres wholly owned and operated by our subsidiary company in the United States, BP Oil Corporation. As we have said, it will be some time before the potential of the well can be assessed and our holdings in the area can be evaluated, but the news is encouraging. The other is our entry into the US market on the eastern side of the country by the purchase of certain marketing and refining assets formerly owned by Sinclair Oil and Atlantic Richfield, and now held by BP Oil Corporation.

If the evaluation of our find in Alaska confirms our first indications, it will still be three years or so before the oil can reach the market. For instance, a pipeline 800 miles long in which we will have a share must be laid; a marine terminal must be constructed, and US-built tankers must be obtained. In the meantime, we shall be consolidating and improving the interests we have taken over in the east, which include some 9,700 retail outlets, two large refineries, a share in a pipeline and many important installations, the price of US \$400 million being payable over the years 1972 to 1977. All this will be costly in time and money. The US \$150 million we arranged to borrow in London earlier this month, the largest money-raising operation we have yet undertaken, is a first step. But if everything goes as we hope,

we shall find that in a few years' time BP will be firmly established in the USA—the major oil market in the world.

World consumption of oil in 1968 rose by $8\frac{1}{2}$ per cent, a rate higher than the long-term historical trend, mainly because of buoyant demand in the USA. Production increased by 165 million tons. A large part of the requirement was met by a further rapid expansion in Libya, where output was increased by 42 million tons. Production in the Middle East rose by 62 million tons, an increase of $12\frac{1}{2}$ per cent over 1967, compared with 7 per cent in the preceding year. The high rate of Middle Eastern growth partly reflects the disturbed conditions of 1967 and the loss of production from Nigeria throughout most of 1968.

At the beginning of 1968 the cost of laying down products was relatively high, reflecting the additional supply costs, particularly freight, brought about by the closure of the Suez canal. These high costs were partly reflected in increased product prices. During the latter part of the year the tanker situation eased considerably with the increased availability of short-haul crude oils from Libya and the commissioning of new tankers, so that spot freight rates fell. In consequence there has been a reduction in prices, excluding consumer taxes, throughout the year, especially in Europe.

Our own results for the year 1968 have, I consider, been very encouraging. The tonnage sold was rather above our estimates and the extra burden of freight is being steadily reduced. The profit, particularly in the later months of the year, exceeded our expectations largely as a result of higher tonnage and lower freight rates. Consequently we improved on the figures of the first six months and arrived at a net income for the year of £101 million. Although this is a welcome recovery from the figures of 1967 which were so badly affected by major difficulties caused by events outside our control, the return on capital has not yet risen to a satisfactory level, particularly in Europe where we sell over half of our products. The average profit per ton is no more than 14s. 3d. or, in figures which some might find more recognisable, nearly $\frac{3}{4}$ d. per gallon.

For 1967 the dividend was reduced by 2d. to 2s. 2d. net per stock unit because our net income had fallen from £79 million to £64 million. The improved results have now enabled your directors to recommend a return to the 1966 rate of 2s. 4d. net per stock unit. There is no doubt that the figures for 1968 would have justified a higher distribution, but this is not possible under the Government's dividend restraint policy which in our case limits the dividend to the rate paid in 1966.

Towards the middle of 1969 the first of the twenty-nine 200,000 ton tankers we have ordered or chartered are coming into service and this we hope will lead to an appreciable decrease in transport costs during the next few years. The resumption of production in Nigeria, which began last October, will also be a help. All the same, we are approaching the point at which the transitional relief we have been obtaining under the Finance Act of 1965 begins to taper off, unless the legislation

is in some way amended. In spite of the large contribution which the BP group has been making to the UK balance of payments, the present system continues to discriminate against any British company which, like BP, derives the greater part of its income from overseas. Our contribution for 1968, compiled on the same basis as in the past, is estimated to have been about £135 million compared with £105 million in 1967.

It is easy to forget that, without the cheap energy supplied by the oil industry, the pace of economic development might well have been less rapid. In this country, for example, the price of motor spirit in terms of sterling before tax is almost exactly the same as it was ten years ago. For that price the customer is getting an even better product. The additional sum which he now has to pay per gallon is the result of the increase in consumer taxes over the period. At the same time, the producing countries have been getting a higher income per barrel. And we should remember that mineral oil is produced by an industry which is basically extractive. Since 1960 there has been no increase in the price of the absolutely essential raw material we produce. On the contrary it has continued to fall. This is far from being the case in other extractive industries.

What has been happening over the past few years is, of course, that to realise a given amount in net income the industry has had to sell an ever greater volume of its products. In itself this has not been a serious problem because of the continuous increase in demand. But the increase has brought with it a need for fresh capital expenditure. And, because net income has failed to increase in the same proportion as the volume of sales, the gap between the finance the industry generates itself and the finance it needs has widened. The result has been that greater sums have had to be found from outside. This was certainly our experience for several years up to 1968.

In point of fact last year turned out very well as regards our financial resources. Capital expenditure, originally estimated at £230 million, was £213 million. This was mainly because the rate of spending has not been quite as rapid as we expected. The improvement in net income, with an increased depreciation charge, has given us a higher cash flow. Investment grants on our UK capital expenditure also are helping us and have been a material factor in our plans for major new projects in the UK. The result has been that for the first time since 1963 our cash flow has been in fairly close relationship to our capital spending, although our ever increasing trade calls for higher working capital figures each year. Nevertheless this degree of equilibrium in cash flow and capital spending is unlikely to continue, quite apart from requirements in the USA. Outside the USA our 1969 capital expenditure is expected to be of the order of £280 million, although it is difficult to forecast accurately the rate of spending on many capital projects.

Because outside finance continues to be important to us, the monetary instability of the past year has been a cause of some concern. It is not only that a group like ours with interests in most parts of the world must be constantly on the watch to

ensure, so far as it is able, that its commercial operations do not suffer loss by the sudden depreciation of one currency in terms of another. But the very instability under which we have all been suffering in the monetary field has caused interest rates in nearly all parts of the world to remain for long periods at levels which have been high almost without precedent in recent history, and there is as yet no sign of their falling. This in turn builds into our unit costs another element which we are powerless to influence.

So far I have dwelt on some of the difficulties we face, and it is right that you should know of them. But it is right also that I should add that in the group we all feel that we may be on the threshold of new and exciting developments. Our ventures in North America are obviously a case in point, though it will be some little time before we shall reap the benefits from them. In this and other fields we may well have reached a turning point for the BP group.

The challenge which all of us who work in the group now face, therefore, is immensely stimulating, and I can certainly say that the response of our staff to it has been vigorous and enthusiastic. We are fortunate in employing all over the world large numbers of able men and women who can be relied on at all times to give of their best, and that is very good. What we can do to help them in their work is to give them the best aids which modern techniques can provide, in management training and computer services for instance, and this of course we are doing. It is disappointing that taxation prevents us from providing those of them who work in this country with the rewards and the material incentives which their fellows receive elsewhere.

ERIC DRAKE

27th March 1969.

Report of the Directors

THE DIRECTORS submit their 60th annual report and the accounts for the year ended 31st December 1968.

Trading conditions

Throughout 1968 the Suez canal remained closed and crude oil production in Nigeria only recommenced on a limited scale towards the end of the year. As a result the group has had to continue to charter a considerable number of additional tankers, but the freight rates paid during 1968 were lower than those experienced in the second half of 1967.

Product sales prices, which in most areas increased in the second half of 1967 in order to recover in part the additional freight costs, have, in general, reduced gradually throughout the year. It is no longer possible to determine how much of the sales proceeds represents a recovery of the increased costs due to the closure of the Suez canal because price changes have occurred as a result of other factors.

Exchange rates

The exchange rates which became operative in the last few weeks of 1967 following the devaluation of sterling have been in operation for the whole of 1968. This has resulted in the expression in sterling of substantially greater proceeds largely offset, however, by a similar increase in those costs and taxes which were incurred abroad.

With the passage of time it becomes increasingly difficult to estimate the benefit to net income which has arisen as a result of devaluation, but this is considered to be about £20 million in 1968. For the year 1967 it was estimated that there had been an improvement to net income for that year of £14 million arising mainly from the indebtedness position between group companies on the 18th November of that year.

Because of the changes in the exchange rates and the different trading conditions applicable to each of the two years 1967 and 1968, the former having been affected for only half the year by the closure of the Suez canal but with greater adverse effect, the income and expenditure figures of the two years shown in the income statement on page 16 cannot usefully be compared.

Results for the year and dividends

The group continued its internationally integrated oil and chemical operations throughout the year with sales of crude oil and products including chemicals being 141.9 million tons, a 10.5 per cent increase over the previous year.

Crude oil sales amounted to 55.3 million tons (51.0 million in 1967) and products including chemicals 86.6 million tons (77.4 million in 1967). Natural gas sales, including North Sea supplies of 46,217 million cubic feet, were 87,717 million cubic feet (47,547 million in 1967). A division of net proceeds is shown in note 11 on page 25.

Results for the year were:

			1968	1967
			£ million	
Income before taxation	..	..	345.8	243.9
Less: Overseas taxation	..	..	241.6	178.2
			<hr/>	<hr/>
Income after overseas tax	..	..	104.2	65.7
Less: United Kingdom taxation	..	..	0.2	0.4
Minority interests	..	..	2.8	1.1
			<hr/>	<hr/>
Net income of the group	..	..	101.2	64.2
			<hr/>	<hr/>

In addition to the group net income for the year there is £28.0 million transitional relief making a total of £129.2 million available for allocation.

£51.8 million is retained in subsidiary companies and £77.4 million is dealt with in the accounts of the parent company. The gross preference dividends and the gross interim ordinary dividend of 1s. 1.617d. (8d. net) per £1 stock unit aggregate £21.3 million.

Your Directors recommend a gross final dividend which will, after deduction of income tax at the then standard rate on the date of payment, result in a net payment to ordinary stockholders of 1s. 8d. per £1 unit of ordinary stock. This, assuming that the standard rate of income tax remains at 8s. 3d. in the pound, is a gross rate of 2s. 10.043d. per £1 stock unit, and amounts to £50.6 million.

Total net payments to ordinary stockholders for 1968 will amount to 2s. 4d. per £1 unit of stock which is a return to the level of dividend for the year 1966. This is the maximum permissible under the Government's dividend restraint policy. For 1967 the total net payments were 2s. 2d. per £1 unit of stock.

Developments in the United States of America

On 4th March 1969 the assets purchased from Atlantic Richfield Company under the agreement already announced were transferred to BP Oil Corporation, the company's principal US operating subsidiary. These assets comprise some 9,700 retail outlets in 16 States in the Eastern United States; two refineries, one at Marcus Hook, Pennsylvania and the other at Port Arthur, Texas; together with a number of bulk plants, terminals and related transportation facilities. The purchase price is US \$400 million (£166 million) payable in instalments over the years 1972-77 with interest at 7 per cent on the unpaid balance. BP Oil Corporation has the right to defer the payment of interest due before the first instalment of principal.

Drilling has begun on the acreage held at Prudhoe Bay, Alaska by BP Oil Corporation and in March 1969 at Put River No. 1 well an encouraging show of oil was encountered in porous sandstone below 8,000 feet. An agreement has been entered into with pipeline subsidiaries of Atlantic Richfield and Humble Oil covering the construction of a 48 inch diameter pipeline 800 miles long from the North Slope of Alaska to a site on the Gulf of Alaska. The group's initial interest in the pipeline, which will be held by BP Pipe Line Corporation, a subsidiary of BP Oil Corporation, is to be 37½ per cent.

The group's United States activities are likely to require considerable capital expenditure over the next few years and, as has already been announced, a facility of US \$150 million (£62·5 million) has been arranged in London under which drawings will be made as necessary to finance the initial requirements.

Receipts from Iranian consortium members

£23·0 million was received during the year from the Iranian consortium members under the terms of the 1954 agreement and this amount has been credited direct to reserve by the parent company. At the present exchange rate with the US dollar, £55 million remains to be received.

Overseas taxation and royalties

Of the £241·6 million overseas taxation, £231·7 million relates to the Middle East and Libya where payments in the nature of royalties of £97·9 million have also been made and are taken into account prior to arriving at the income before taxation. The total Middle East and Libyan taxation and royalties for 1968 is therefore £329·6 million (£243·6 million for 1967).

Contribution to the United Kingdom balance of payments

About 88 per cent of the group's trade of 141·9 million tons is carried on overseas and the majority of the crude oil and products concerned is neither imported to nor exported from the United Kingdom. The group's United Kingdom exports consisted of approximately nine million tons of oil products, the value of which, given to comply with the requirements of the Companies Act 1967, was £94 million. The value of chemical exports was £15·6 million.

The quantity and grades of oil products exported in any one year vary from another year due to changes in the supply pattern, refining capacity availability and variations in consumption requirements. By themselves oil export figures which are now required to be given year by year are of no value in assessing the group's contribution from oil activities to the United Kingdom balance of payments which for 1968 is estimated to have amounted to £135 million.

£72 million of this contribution arises from overseas trade (including sales of quantities exported from the UK) less capital investment abroad, to which is added £38 million representing the estimated saving to the country by reason of the group importing oil to the United Kingdom for consumption as compared with the foreign exchange cost of buying the same quantity from a foreign based oil company. There is also a further £25 million representing the approximate saving of overseas expenditure by reason of carrying the oil in British flag tankers and the value of British materials exported for our account by contractors.

The 1968 contribution of £135 million compares with £105 million for 1967 and an average of £100 million per annum for the three preceding years.

Capital expenditure and finance

Capital expenditure by group companies in 1968 amounted to £144.5 million and the group's proportion of capital expenditure by associated companies was £68.4 million, these totalling £212.9 million (£211.0 million in 1967). Investment grants in respect of capital expenditure incurred during 1968 in the United Kingdom and North Sea area and on shipping are estimated at £16.4 million.

Amounts retained in the business were £210.6 million (£174.1 million in 1967) whilst new long-term borrowing, nearly all outside the sterling area, was £39.6 million.

Western Ground Rents Limited

A recent offer worth £18.7 million for all the issued capital of Western Ground Rents Ltd. has been successful. Acceptances totalling 96 per cent of the capital have been received, and the remainder will be acquired under the power conferred by Section 209 of the Companies Act, 1948. £0.5 million of a 7½% Unsecured Loan Stock 1971 is being issued as an alternative to the cash consideration.

Western Ground Rents owns properties in London, the Home Counties and South Wales, and the company was acquired with the intention of transferring most of these properties to the BP Pension Fund. This will be undertaken as soon as possible.

Companies Act 1967

A schedule to this report giving additional information required under the Companies Act 1967 is on page 15.

Directors

The Directors of the company are listed on page 5.

Lord Robbins retired from the Board on 22nd November 1968.

The Hon. Sir Maurice Bridgeman relinquished his appointments as Chairman and a Director of the company on 24th January 1969. With effect from 25th January 1969, Mr. A. E. C. Drake was appointed Chairman, Mr. A. F. Down a Deputy Chairman and Mr. G. F. Ashford a Managing Director.

On 6th March 1969, Mr. A. F. Down was appointed President of BP Oil Corporation. He will shortly be temporarily relinquishing his position as a Managing Director though he will remain a Deputy Chairman.

Lord Trevelyan and Mr. R. P. Smith retire from the Board by rotation and, being eligible, offer themselves for re-election.

Auditors

The auditors, Messrs. Whinney Murray & Co., have expressed their willingness to continue in office.

By Order of the Board
K. H. PARKE

Secretary

27th March 1969.

Schedule to Directors' Report

Directors' Interests in the Company

In accordance with the requirements of the Companies Act 1967, the interests of the Directors as at 31st December 1968 in the stock and debentures of the company at the beginning and the end of 1968 are shown below. These include family interests; other interests (e.g. as a trustee) are indicated by *.

	Type of Stock	1.1.68	31.12.68
		£	£
The Hon. Sir Maurice Bridgeman	Ordinary	3,162	3,162
A. E. C. Drake	8 % First Preference	1,000	1,000
	Ordinary	10	10
R. B. Dummett	8 % First Preference	1,000	1,000
	9 % Second Preference*	625	625
A. F. Down	Ordinary	1,292	1,292
G. F. Ashford	Ordinary	2,275	2,275
D. W. K. Barker	Ordinary	1,044	1,044
The Rt. Hon. Lord Cobbold	Ordinary	1,292	1,292
The Hon. W. Fraser	9 % Second Preference	2,935	—
	Ordinary	27,000	27,000
Sir Frederic Harmer	Ordinary†	56,250	56,250
The Earl of Inchcape	Ordinary	1,792	1,076
W. J. Keswick	8 % First Preference	1,000	—
	Ordinary	5,835	6,085
	Ordinary*	7,660	7,660
R. P. Smith	Ordinary	1,550	1,550
D. E. C. Steel	Ordinary	1,000	1,000
The Lord Trevelyan	Ordinary	1,076	1,076

† held as nominee for H.M. Government.

None of the Directors had any interest in shares or debentures of subsidiary companies of the company apart from The Hon. Sir Maurice Bridgeman and Mr. A. F. Down who respectively held throughout the year 20 and 10 Common Shares of no par value of Triad Oil Co. Ltd.

In compliance with the requirements of the General Undertaking (Companies) given to The Stock Exchange, London, it is stated that the interests of all the Directors of the company and their family interests do not, in the aggregate, in respect of either share capital or voting control, exceed 5 per cent of the parent company or of any one subsidiary.

Personnel

The average weekly number of persons employed by the group in the United Kingdom during 1968 was 23,900 and their aggregate remuneration for that year was £35.3 million.

Charitable contributions

During the year the group made payments in the United Kingdom amounting to £176,734. This includes £113,975 for education (universities, colleges, business schools, etc.) and £20,276 for medical purposes.

Income Statement for the year ended 31st December 1968

Figures are in £ million

	1968	1967
Sales proceeds and other income		
Sales proceeds	2,080·4	1,667·2
Deduct: Customs duties and sales taxes	722·0	585·9
Net sales proceeds	1,358·4	1,081·3
Other income	43·6	59·6
	<u>1,402·0</u>	<u>1,140·9</u>
Operating and other costs		
Cost of oil and operating expenses	937·5	798·3
Depreciation and amounts provided	93·3	78·4
Interest	25·4	20·3
	<u>1,056·2</u>	<u>897·0</u>
Income before taxation	345·8	243·9
Overseas taxation	241·6	178·2
Income after overseas tax	104·2	65·7
United Kingdom taxation based on the income for the year		
Corporation tax (note 1, page 17)	201·6	144·1
Relief in respect of overseas taxation	(201·4)	(143·7)
	<u>104·0</u>	<u>65·3</u>
Applicable to minority shareholders	2·8	1·1
NET INCOME OF THE GROUP before transitional relief	101·2	64·2
United Kingdom taxation		
Transitional relief (note 2, page 17)	28·0	26·2
Previous years' tax (note 3, page 17)	—	15·0
Profit on sale of office property	—	4·8
Income available for allocation—page 17	<u>129·2</u>	<u>110·2</u>

The notes on pages 17 and 22 to 27 form part of this statement

Income allocation

Figures are in £ million

	1968	1967
Income available for allocation	129.2	110.2
Retained in subsidiary companies	51.8	38.2
Net income of the parent company	77.4	72.0
Retained	5.5	5.2
DISTRIBUTED as shown below	71.9	66.8

	Net to stockholders	Income tax withheld	Gross amount	Gross amount	Net to stockholders
Preference dividends	0.6	0.4	1.0	1.0	0.6
Ordinary dividends					
Interim paid 8th November 1968	11.9	8.4	20.3	15.2	8.9
Final now recommended (see Directors' report)	29.7	20.9	50.6	50.6	29.7
	<u>42.2</u>	<u>29.7</u>	<u>71.9</u>	<u>66.8</u>	<u>39.2</u>
Payments per ordinary stock unit					
	Net to stockholders	Income tax withheld	Gross rate	Gross rate	Net to stockholders
Interim	8d.	5.617d.	1s. 1.617d.	10.213d.	6d.
Final now recommended (see Directors' report)	1s. 8d.	1s. 2.043d.	2s. 10.043d.	2s. 10.043d.	1s. 8d.
	<u>2s. 4d.</u>	<u>1s. 7.660d.</u>	<u>3s. 11.660d.</u>	<u>3s. 8.256d.</u>	<u>2s. 2d.</u>

Note 1 Corporation tax

This has been provided at 42½ per cent. The rate in 1967 was 40 per cent for the first three months and 42½ per cent for the remainder of the year.

Note 2 Transitional relief

Relief arises under the terms of the United Kingdom Finance Act 1965:

Under section 84 (overspill) amounts totalling £20.1 million for 1968/69 have been received by subsidiary companies and are brought into credit in these accounts. £24.6 million was similarly received and credited in the 1967 accounts.

Under section 85 (one-year surplus) an amount of £7.9 million (£1.6 million in 1967) has been brought into credit in these accounts offsetting to that extent the withholding tax liability on the 1968 dividends of the parent company. A further £20.7 million is available for use in the future.

Note 3 Previous years' tax

Considerable progress has been made in settling the outstanding tax position relating to 1965 and earlier years to which reference has been made in the accounts of previous years. It is not now anticipated that any further material adjustments will be required.

Balance Sheets as at 31st December 1968

Figures are in £ million

Parent company			Group	
1967	1968		1968	1967
—	—	Properties and operating assets (schedule A, page 19)	866·6	829·5
54·4	24·7	Investment in associated companies (schedule B, page 19)	342·3	319·6
921·3	980·1	Investment in subsidiary companies (note 2, page 23)	—	—
24·5	23·4	Long-term receivables	83·6	86·7
18·4	15·5	Current assets less current liabilities (schedule D, page 21)	412·5	355·3
<u>1,018·6</u>	<u>1,043·7</u>	TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,705·0</u>	<u>1,591·1</u>
Deduct				
97·8	96·4	Finance debts (schedule C, page 20)	414·5	386·8
3·8	1·9	Deferred liabilities (note 9, page 25)	25·0	22·2
—	—	Insurance funds and pension provisions (note 10, page 25)	30·6	28·4
—	—	Minority shareholders' interests	23·7	20·9
<u>101·6</u>	<u>98·3</u>		<u>493·8</u>	<u>458·3</u>
<u>917·0</u>	<u>945·4</u>	NET ASSETS REPRESENTING STOCKHOLDERS' INTEREST	<u>1,211·2</u>	<u>1,132·8</u>
369·5	369·5	Issued preference and ordinary capital (note 3, page 24)	369·5	369·5
78·0	78·0	Share premium account	78·0	78·0
469·5	497·9	Reserves (schedule E, page 21)	763·7	685·3
<u>917·0</u>	<u>945·4</u>	STOCKHOLDERS' INTEREST	<u>1,211·2</u>	<u>1,132·8</u>

A. E. C. DRAKE }
W. J. KESWICK } Directors

The schedules and notes on pages 19 to 27 form part of these Balance Sheets

Schedules to Balance Sheets

Figures are in £ million

1968				1967		
A Properties and operating assets						
—Group (note 6, page 24)						
	Cost	Investment grants (£35·4) and provisions	Net	Cost	Investment grants (£19·0) and provisions	Net
Production and exploration	303·4	159·9	143·5	276·9	144·3	132·6
Tankers	198·4	103·6	94·8	181·7	92·3	89·4
Refineries	628·9	326·5	302·4	584·0	292·5	291·5
Marketing, etc.	455·7	198·4	257·3	428·2	183·2	245·0
Petroleum chemicals	150·1	81·5	68·6	141·3	70·3	71·0
	<u>1,736·5</u>	<u>869·9</u>	<u>866·6</u>	<u>1,612·1</u>	<u>782·6</u>	<u>829·5</u>
B Investment in associated companies						
—Group						
	Cost	Provisions	Net	Cost	Provisions	Net
Production and exploration	149·7	37·4	112·3	140·9	35·3	105·6
Tankers	0·9	—	0·9	0·9	—	0·9
Refineries	62·0	0·9	61·1	57·8	—	57·8
Marketing, etc.	123·6	2·8	120·8	114·2	1·8	112·4
Petroleum chemicals	47·9	0·7	47·2	45·2	2·3	42·9
	<u>384·1</u>	<u>41·8</u>	<u>342·3</u>	<u>359·0</u>	<u>39·4</u>	<u>319·6</u>
—Parent company						
Investment included in above group figures	<u>25·8</u>	<u>1·1</u>	<u>24·7</u>	<u>54·7</u>	<u>0·3</u>	<u>54·4</u>

Schedules to Balance Sheets

Figures are in £ million

C Finance debts

Parent company						Group	
1967	1968		Currencies in millions	Interest rate % (approximate)	Repayable by	1968	1967
		Long-term					
10.4	10.5	Deutschemarks	444	6½	1982	46.4	46.9
21.7	21.9	Swiss francs	242	4½	1980	23.6	22.9
10.4	10.5	United States dollars	80	6	1985	33.5	33.4
		Austrian schillings	64	7½	1980	1.0	2.8
		Belgian francs	189	6½	1976	1.6	1.6
		Canadian dollars	88	6	1986	34.6	35.7
		Danish kroner	72	6½	2005	4.0	1.0
		Dutch florins	244	6½	1994	28.2	20.5
		French francs	169	7	1984	14.3	—
		Italian lire	14,683	7½	1976	9.8	6.7
		Swedish kronor	137	6½	1989	11.0	6.5
42.5	42.9	Total non-sterling area				208.0	178.0
		Australian dollars	21	7	1985	9.3	9.3
		New Zealand dollars	4	6½	1980	2.1	1.9
		Sterling					
11.8	10.8	Debenture stock		5	1978	10.8	11.8
15.7	14.3	Debenture stock These two stocks are secured by a floating charge on the assets of the parent company		6	1980	14.3	15.7
		Other sterling		6	1991	8.4	8.8
70.0	68.0	Total long-term debts (secured £109.3 million)				252.9	225.5
15.8	22.6	Short-term and acceptances (secured £8.1 million)				117.3	106.7
12.0	5.8	Bank loans and overdrafts (secured £7.1 million)				44.3	54.6
97.8	96.4					414.5	386.8

Note.—Long-term debts are those which are wholly or in part repayable more than five years from the date of the balance sheet. Using this Companies Act 1967 definition the long-term debts figure at the end of 1967 has been re-assessed at an amount of £225.5 million and is shown as the comparative figure in these accounts. Last year's accounts showed an amount of £236.6 million as long-term debts using the previously adopted definition and the difference of £11.1 million now reflects as short term.

THE BRITISH PETROLEUM COMPANY LIMITED AND SUBSIDIARY COMPANIES

D Current assets less current liabilities

Parent company			Group	
1967	1968		1968	1967
		Current assets		
		Liquid resources		
37.1	51.0	Cash	91.6	70.0
29.9	12.0	Treasury bills, corporation and other loans	20.9	35.9
20.1	6.6	Government and other securities (note 8, page 25)	20.6	34.4
87.1	69.6		133.1	140.3
12.6	12.2	Debtors (including withholding tax account)	494.7	409.0
—	—	Stocks of oil and chemicals (note 1(d), page 22)	159.3	139.4
—	—	Stocks of stores (note 1(d), page 22)	27.2	27.9
99.7	81.8		814.3	716.6
		Current liabilities		
14.7	14.9	Creditors and overseas taxation	323.5	270.9
—	—	Provisions, including contingencies	26.9	23.8
66.6	51.4	Dividends	51.4	66.6
81.3	66.3		401.8	361.3
18.4	15.5		412.5	355.3

E Reserves

Parent company			Group	
1967	1968		1968	1967
443.4	469.5	Reserves at 1st January	685.3	594.8
5.2	5.5	Retained income of the year	57.3	43.4
18.3	23.0	Received from Iranian consortium members	23.0	18.3
—	(0.1)	Other movements including exchange adjustments	(1.9)	—
2.6	—	Net increase resulting from devaluation and other adjustments in 1967	—	28.8
469.5	497.9	Reserves at 31st December (note 4, page 24)	763.7	685.3

Notes on accounts

THESE NOTES FORM PART OF THE ANNUAL ACCOUNTS

1 Composition of the group accounts

(a) Companies consolidated

The group accounts comprise a consolidation of the accounts of the parent company and all its subsidiaries except for a number of minor companies the consolidation of whose accounts would have caused undue delay in presentation and whose income is insignificant. The investment in these minor companies at cost less provisions, £0.5 million has, in the group balance sheet, been included with investment in associated companies. In the case of Abu Dhabi Marine Areas Limited and Dubai Marine Areas Limited, the one-third interest of Compagnie Française des Pétroles has been excluded.

A large number of subsidiary companies are registered in countries outside the United Kingdom and are controlled by local management. As a result of the inclusion of the accounts of these companies the group accounts embody variations in accounting methods appropriate to local legislation or conditions. These are within the limits of generally accepted accounting principles in all material respects.

(b) Conversion of currencies

Properties, operating assets and investments expressed in currencies other than sterling have been converted into sterling at the rates ruling at 31st December 1968 except for certain of these assets, mainly in production areas, which have been converted into sterling at the rates ruling at the time of acquisition. Long-term receivables, current assets and all liabilities have been converted at the year-end rates.

(c) Exploration interests

Full provision has been made against the group's proportion of exploration expenditure in non-proven areas whether owned directly or indirectly.

(d) Stock valuations

Stocks of oil and chemicals are valued at approximate group cost excluding, as last year, the effect of the closure of the Suez canal. Stocks of stores are valued at or below cost.

(e) Associated companies producing crude oil

Crude oil production is largely dealt with through associated companies. Due to the cessation of operations in Nigeria for the greater part of the year the group share of the results of the main associated companies concerned, based on the latest information available, is a deficit for the year of £2.1 million. This is reflected in the income statement as an addition to operating costs.

At 31st December 1968 there was £12.7 million of accumulated earnings which had not been distributed by these associated companies and equivalent amounts have been retained in the reserves of the subsidiary companies holding the investments.

Subsidiary and associated companies

(a) List of companies

A complete list of investments in subsidiary companies and of the parent company's investment in associated companies will be attached to the parent company's annual return. Investments in associated companies (which are almost entirely unquoted) are held mainly by wholly-owned subsidiaries some of which are registered abroad. On pages 42 to 45 the majority of the subsidiary and associated companies are listed by areas of operation. The list includes all companies which principally affected the income and/or assets of the group or of the parent company.

(b) Subsidiary companies

At 31st December 1968 the parent company's investment in its subsidiary companies of £980.1 million (£921.3 million) consisted of shares at cost less provisions £160.5 million (£148.6 million) together with advances, current accounts and accrued dividends £819.6 million (£772.7 million).

(c) Associated companies

Excluding the main associated companies engaged in crude oil production whose results as far as the group is concerned have been dealt with in arriving at operating costs in the income statement (note 1(e) on page 22), dividends of £13.3 million (£8.9 million) and interest of £2.5 million (£2.3 million) were received from all other associated companies and are included in the group income statement as part of other income.

The following information was ascertained from the accounts of these other associated companies received during 1968 and is given to comply with paragraph 5A of Schedule 2 to the Companies Act 1967:

	Aggregate profits less losses of the periods of the accounts		Retained earnings since acquisition £ million
	before tax £ million	after tax £ million	
Parent company share	1.5	0.9	2.8
Subsidiary companies share	15.6	8.9	16.2
	<hr/>	<hr/>	<hr/>
Group share	17.1	9.8	19.0
	<hr/>	<hr/>	<hr/>

The group share of retained earnings of £19.0 million broadly indicates the position as at the end of 1967 and losses included therein are, in all material cases, covered by provisions in the parent or subsidiary companies as appropriate.

3 Authorised and issued capital of the parent company

No changes have been made during the year to the authorised capital of £425 million or to the issued capital of £369.5 million which comprises 8 per cent cumulative first preference stock £7.2 million, 9 per cent cumulative second preference stock £5.5 million and ordinary stock £356.8 million.

Of the £356.8 million ordinary stock issued at 31st December 1968, Her Majesty's Government in the United Kingdom owned £174.5 million (48.9 per cent) and The Burmah Oil Company Limited £82.9 million (23.23 per cent), whilst the remainder (27.87 per cent) was held by approximately 91,000 stockholders.

4 Group reserves

Group reserves of £763.7 million at 31st December 1968 include an unchanged parent company preference stock reserve of £10 million. Also included are amounts totalling £86.2 million retained by subsidiary companies which are not subject to United Kingdom taxation.

5 Contingent liabilities

There are contingent liabilities at 31st December 1968 in respect of guarantees, indemnities, etc., entered into as part of the ordinary course of the group's business, upon which no material losses are likely to arise.

6 Properties and operating assets

Assets at cost amounted to £1,736.5 million at 31st December 1968. The following shows the movements during the year.

	Production and exploration £ million	Tankers £ million	Refineries £ million	Marketing, etc. £ million	Petroleum chemicals £ million	Total £ million
1st January	276.9	181.7	584.0	428.2	141.3	1,612.1
Deletions and exchange adjustments	5.5	0.1	3.5	8.9	2.1	20.1
	271.4	181.6	580.5	419.3	139.2	1,592.0
Additions	32.0	16.8	48.4	36.4	10.9	144.5
31st December	<u>303.4</u>	<u>198.4</u>	<u>628.9</u>	<u>455.7</u>	<u>150.1</u>	<u>1,736.5</u>

7 Land

The net amount of properties and operating assets of £866.6 million at 31st December 1968 includes £65.8 million in respect of land (including buildings acquired with the land) of which freehold £59.0 million, mainly service stations overseas, leasehold with 50 years unexpired term £1.6 million, and other leases £5.2 million.

8 Government and other securities

The market value of securities compared with book value at 31st December 1968

	Market value	Book value
Parent company	£7.0 million	£6.6 million
Group	£21.2 million	£20.6 million

Securities with a market value of £10.5 million (book value £10.3 million) are held by The Tanker Insurance Company, Limited and are included in the group figures.

9 Deferred liabilities

The deferred liabilities of £25.0 million become due for settlement after 31st December 1969.

10 Insurance funds and pension provisions

Insurance funds amounted to £15.1 million (*£14.5 million*).

Pension provisions amounting to £15.5 million (*£13.9 million*) have been made by certain European subsidiary companies largely on the basis of actuarial assessment for their unfunded pension arrangements; others, in accordance with local practice, charge current pension payments against income.

11 Net sales proceeds

Crude oil and products sales by group companies amounted to £1,256.5 million (*£998.7 million*) in respect of 140.6 million tons (*127.3 million tons*). These included chemical feedstocks supplied to associated companies and non-group customers.

Chemical sales by group companies amounted to £90.6 million (*£77.6 million*) in respect of 1.3 million tons (*1.1 million tons*).

Natural gas sales amounted to £11.3 million (*£5 million*) of which £9.3 million (*£3.5 million*) was in respect of North Sea supplies.

12 Hire charges

Payments in respect of time chartered tankers amounted to £63.9 million whilst payments for the hire of plant and machinery amounted to £7.1 million.

13 Interest

Interest on long-term debts amounted to £14.6 million (*£11.7 million*) and on other finance debts £10.8 million (*£8.6 million*).

14 Remuneration

- (a) Directors of the company £266,645 (£250,191), made up of fees £22,479 (£22,750) and other emoluments £244,166 (£227,441). Pensions and commutations of pensions to former Managing Directors and their dependants £117,190 (£181,690).

- (b) Particulars of Directors' emoluments as required by Section 6 of the Companies Act 1967:

	1968	1967
The Chairman, The Hon. Sir Maurice Bridgeman	£50,090	£50,000

The number of all the Directors (including three for part periods only in 1967) receiving emoluments in the following groups were

	Number of Directors	
	1968	1967
£50,001 to £52,500	1	—
£47,501 to £50,000	—	1
£35,001 to £37,500	2	—
£32,501 to £35,000	—	2
£25,001 to £27,500	3	—
£22,501 to £25,000	2	3
£15,001 to £17,500	—	1
£7,501 to £10,000	—	2
£2,501 to £5,000	7	7

The Service Contracts of the seven Managing Directors all provide that, except with the sanction of the Board, any fees payable for services on the Board of the Company or other companies on which they are permitted to serve, whether or not subsidiaries of the Company, shall be returned to the Company. Accordingly, fees amounting to £16,172 were returned or surrendered by the Managing Directors during the year.

- (c) The number of employees of the group in the United Kingdom whose emoluments exceeded £10,000 were in the following groups

	Number of Employees	
	1968	1967
£15,001 to £17,500	1	—
£12,501 to £15,000	4	3
£10,001 to £12,500	11	6

- (d) Auditors' remuneration—group companies £361,000 (£294,000) of which the parent company £20,000 (£18,500).

15 Capital commitments

Authorised future capital expenditure by group companies including the development of Alaskan oil production and transportation facilities is estimated at £555 million including approximately £120 million for which contracts have been placed. The group's share of authorised future capital expenditure by associated companies is estimated at £130 million. The total thus authorised amounts to £685 million.

Additionally, sanction existed at the end of 1968 for the purchase from Atlantic Richfield Company and Sinclair Oil Corporation of certain refining and marketing assets in the United States of America. Subsequently on 4th March 1969 an agreement was signed under which US\$400 million (£166 million) becomes payable in instalments during the years 1972/77.

Report of the Auditors

TO THE MEMBERS OF THE BRITISH PETROLEUM COMPANY LIMITED

We have examined the accounts of THE BRITISH PETROLEUM COMPANY LIMITED set out on pages 16 to 27. Incorporated in the group accounts are accounts of subsidiaries audited by other auditors.

In our opinion the company's balance sheet and the group accounts have been properly prepared in accordance with the provisions of the Companies Acts 1948 and 1967 and give for the company and for the group a true and fair view of the state of affairs at 31st December 1968 and of the net income for the year.

WHINNEY MURRAY & CO.

Chartered Accountants

London, 27th March 1969.

Capital expenditure

Figures are in £ million

	1968		1967	
Expenditure by group companies				
Production and exploration	32·0		35·9	
Tankers	16·8		8·3	
Refineries	48·4		49·1	
Marketing, etc.	36·4		34·4	
Petroleum chemicals	10·9	144·5	17·0	144·7
	<u> </u>		<u> </u>	
Expenditure by associated companies— Group proportion				
Production and exploration	25·9		23·3	
Refineries	13·9		23·0	
Marketing, etc.	17·4		13·4	
Petroleum chemicals	11·2	68·4	6·6	66·3
	<u> </u>		<u> </u>	
Capital expenditure for the year		<u>212·9</u>		<u>211·0</u>

Finance summary

	1968		1967	
Amounts retained				
Group companies—				
Depreciation	93·3		78·4	
Retained income	57·3		43·4	
Iranian consortium receipts	23·0	173·6	18·3	140·1
	<u> </u>		<u> </u>	
Associates (group proportion)—				
Depreciation, etc.		37·0		34·0
		<u>210·6</u>		<u>174·1</u>
Investment grants		16·4		9·6
Increase in finance debts				
Group companies	27·7		57·0	
Associates (group proportion)	2·5	30·2	8·0	65·0
	<u> </u>	<u>257·2</u>	<u> </u>	<u>248·7</u>
Working capital, etc.		41·7		26·7
Group companies and associates (group proportion)		<u> </u>		<u> </u>
Utilised for { capital expenditure	212·9		211·0	
{ chemical interests acquisition	2·6	215·5	11·0	222·0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Comparative statistics

	1968	1967	1966	1965	1964	1959
Group sales						
in millions of tons						
Crude oil	55.3	51.0	45.5	41.3	40.8	27.1
Products including chemicals	86.6	77.4	73.8	69.6	64.0	36.1
Total	<u>141.9</u>	<u>128.4</u>	<u>119.3</u>	<u>110.9</u>	<u>104.8</u>	<u>63.2</u>
in millions of cubic feet						
Natural gas	87,717	47,547	23,005	8,761	5,600	
Gross income – £ million	2,124.0	1,726.8	1,453.4	1,334.9	1,242.7	863.6
Income before taxation – £ million	345.8	243.9	228.2	207.1	210.0	131.1
Net income – £ million	101.2	64.2	79.1	80.6	82.5	63.3
Net income per ordinary stock unit	5/8d	3/7d	4/5d	5/1d	5/3d	4/2d
Distributions (net) to ordinary stockholders						
£ million	41.6	38.6	41.0	36.5	36.5	22.8
per unit	2/4d	2/2d	2/4d	2/4d	2/4d	1/6.1d
Stockholders' interest – £ million	1,211.2	1,132.8	981.3	837.7	782.0	479.0
Net income as a percentage of average stockholders' interest	8.6%	6.1%	8.7%	10.0%	11.0%	14.3%
Total assets less current liabilities – £ million	1,705.0	1,591.1	1,309.6	1,119.4	985.9	582.3
Return on average capital employed	7.8%	5.9%	7.8%	8.6%	9.7%	12.0%
Middle East and Libya						
Taxation and royalties – £ million	329.6	243.6	209.6	186.1	178.3	114.7
Capital expenditure – £ million	212.9	211.0	206.3	207.0	169.1	140.7
Group companies and associates (group proportion)						
Amounts retained – £ million	210.6	174.1	157.5	144.0	140.7	111.8
Group companies and associates (group proportion)						
New long-term borrowing – £ million	39.6	34.1	41.5	74.4	15.7	37.9
Group companies and associates (group proportion)						

Survey of operations

Production and exploration

Our percentage shareholding in companies producing oil is shown on page 33. From these sources we obtained during 1968 a total of some 144 million tons compared with 132 million tons in 1967.

Iran

The quantity of crude oil exported, or processed at Abadan for export as products, by the Consortium amounted to 125 million tons during 1968, an increase of 11 million tons over the previous year. Exploration within the agreement area continued, and during the year indications of possible new oilfields were obtained at Shadegan, Maleh Kuh, Lab-e Safid and Ab-e Teymur. Facilities are under construction for the supply of gas to the National Iranian Oil Company for consumption in Iran and for export to the USSR. These facilities will also produce gas liquids for export by the Consortium.

Iraq

Exports of crude oil from Iraq during the year totalled 69 million tons compared with 56 million tons in 1967, when production was affected by the closure of the pipeline to the Mediterranean terminals. In spite of continuing negotiations, it has

not proved possible to reach an agreement on the matters in dispute with the Iraq Government.

Kuwait

Exports of crude oil and products from the Kuwait Oil Company's operations totalled 119 million tons, compared with 113 million tons in 1967. In addition 1.4 million tons of crude oil were supplied to the Kuwait National Petroleum Company's refinery. Exports of liquefied petroleum gases amounted to 1.1 million tons.

The deep-water crude oil loading terminal, which can handle the largest tankers at present under construction, was commissioned in September, and has subsequently been officially inaugurated by H.H. the Amir of Kuwait.

Qatar

Exports of crude oil by the Qatar Petroleum Company at 9 million tons were substantially unchanged compared with 1967.

Abu Dhabi

Exports from the land areas held by Abu Dhabi Petroleum Company amounted to 14.8 million tons during 1968. Exploration drilling carried out during the period under review failed to identify any additional productive areas.

Exports by Abu Dhabi Marine Areas amounted to 8.7 million tons.

Dubai

The installation of production facilities in the offshore Fateh field is under way, and production from this area is planned to start about the middle of 1969. These facilities include a new means of storing crude oil under the sea.

Libya

Exports during the year from the jointly-owned Sarir field amounted to 14.7 million tons of oil. Additional facilities are now being installed to increase production and export capacity. In our concession 80, seismic and appraisal work continued throughout the year; three wells were drilled, all of them unproductive.

Nigeria

After the outbreak of the hostilities in 1967, it was not possible to resume production and exports until repairs had been made to the trans-Niger pipeline system and Bonny terminal. Limited production began in late October and by the year end had risen to 40 per cent of the pre-hostilities rate. Meanwhile, work continues on the construction of a second terminal at Forcados to handle oil from the Mid-West. It should be completed by the middle of 1969. Exploration in the Mid-West state, which was only briefly interrupted by the hostilities, led to the discovery of two new fields, those of Forcados Estuary and Jones Creek.

Kenya

The deep test well at Garissa drilled during the early part of the year was unproductive. As a result about 50 per cent of the area held by our joint venture in Kenya has been relinquished. Geophysical operations continue in the densely wooded coastal area.

South Africa

The consortium in which we have a 25 per cent interest is continuing marine seismic work over part of the continental shelf of South Africa.

South West Africa

We have entered into a joint arrangement to acquire offshore and onshore exploration rights in three areas in South West Africa.

France

In the Marseilles area, geophysical surveys were carried out during the year. An agreement has been made with Compagnie Française des Pétroles for the joint exploration of concessions over part of the French Mediterranean continental shelf in the Gulf of Lions. The interest of the BP group will be 45 per cent. Two test wells in this venture have already been drilled.

Germany

Our subsidiary company Gewerkschaft Norddeutschland continued to participate in seismic surveys. Preparations were made to drill a deep test well in West Berlin, where we are partners with the city authority. Arrangements were made with Wintershall AG whereby Gewerkschaft Norddeutschland will acquire an interest in a number of concessions in West Germany in which we hope to find natural gas.

United Kingdom

In the North Sea, development drilling from our two fixed platforms on the West Sole field has been completed. Deliveries of gas during the year from this field totalled 46,217 million cubic feet. Elsewhere in UK waters our marine drilling rig 'Sea Quest' drilled two exploration wells, which were abandoned, and began drilling a third. Two further exploration wells were drilled. The first is a possible gas well. The second was abandoned.

On land 85,000 tons of crude oil were produced from our fields. Our joint exploration venture continued. A seismic party worked throughout the year in Yorkshire and Lincolnshire and in December a test well was begun in North Yorkshire.

Netherlands

In Dutch waters, where we hold joint exploration rights, a first well proved unsuccessful.

Italy

In April 1968 BP Italiana joined with other local and international companies in a consortium to explore for oil and gas in the Apennines. Seismic surveys were undertaken, and an initial test well was drilled to a medium depth.

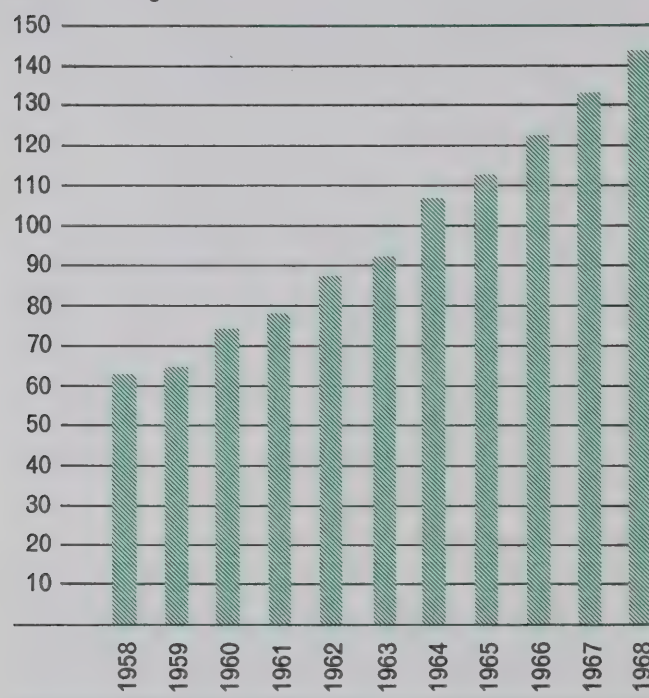
Australia and Papua

In Australia, we participated in two test wells on land, both of which were dry, and in three marine wells in the large offshore concession off north-west

BP GROUP

Crude Oil Production

Million Long tons



Australia, in which we have a one-sixth interest. The second of these offshore wells, Legendre No. 1, had a showing of oil on test, which although not commercial must be reckoned encouraging.

Extensive surveys continued in Papua and a further test well was drilled, but without success.

Thailand

Offshore aeromagnetic surveys have been carried out, and a geological survey party is now in the field.

New Zealand

Construction has begun of production facilities and pipelines at the Kapuni gas and condensate field. The work is expected to reach completion in 1969. We have a 37½ per cent interest in the consortium which owns the field and will manage it when production begins. Offshore seismic surveys were carried out, and a well drilled in 1969 in our jointly held areas has encountered hydrocarbons, which have not yet been evaluated.

Canada

Of 116 wells in which we had an interest, 42 were completed as oil wells, 16 as gas wells, 4 for water injection, and the remainder were dry holes.

Development of the South Chauvin field continues, and a pipeline has been laid from South Chauvin to connect with the Inter-State Pipeline at Hardisty.

Approximate production during 1968 totalled about 18,000 million cubic feet of gas, 775,000 tons of oil and 60,000 tons of sulphur.

Exploration of the Pinnacle Reef structures in central Alberta has resulted in the discovery of three small oil pools and one gas field.

Development drilling of the Kaybob/Fox Creek sour gas area in north-central Alberta continued. Experimental work continues on the second phase of the Heavy Oil Project.

USA

On the North Slope of Alaska, drilling began on our Prudhoe Bay acreage, and three rigs are currently employed. In March 1969 at Put River No. 1 well an encouraging show of oil was encountered in porous sandstone below 8,000 feet. Further drilling and testing are proceeding. In addition, a well is being drilled in the acreage at Colville jointly held with Atlantic Richfield.

Development of the Ship Shoal unit offshore Louisiana, in which we have a one-third interest, continued. Twenty-two wells were completed as producers, including one exploration well. One well was abandoned.

Trinidad

The government of Trinidad and Tobago indicated its willingness to acquire from BP both its land and marine producing properties by negotiation and announced its decision to establish a National Petroleum Company. As a result of the cessation of drilling on land in the spring of 1967, production in 1968 declined below the 1967 level in spite of continued secondary recovery schemes.

Colombia

Sinclair and BP Colombia participated in drilling 4 wells, of which 3 were productive. Production, of which our share is 25 per cent, totalled 1.1 million tons in 1968.

Crude oil production

Company										BP Group Shareholding Per cent	Total Crude Oil Production 1967 Tons	1968 Tons
IRAN												
Iranian Oil Exploration and Producing Company (through Iranian Oil Participants)										40	120,918,000	132,901,000
IRAQ												
Iraq Petroleum										} 23 $\frac{3}{4}$	37,626,000	54,828,000
Basrah Petroleum											20,049,000	16,511,000
Mosul Petroleum											1,264,000	1,282,000
KUWAIT												
Kuwait Oil										50	113,367,000	120,171,000
QATAR												
Qatar Petroleum										23 $\frac{3}{4}$	9,070,000	9,018,000
ABU DHABI												
Abu Dhabi Marine Areas										66 $\frac{2}{3}$	5,886,000	8,711,000
Abu Dhabi Petroleum										23 $\frac{3}{4}$	12,166,000	14,920,000
TRINIDAD												
BP (Trinidad)*										100	1,431,000	1,561,000
Trinidad Petroleum Development										88	873,000	730,000
LIBYA												
BP Exploration (Libya) and N. B. Hunt										50	8,056,000	14,678,000
NIGERIA												
The Shell-BP Petroleum Development Company of Nigeria										50	11,963,000	2,140,000
UNITED KINGDOM												
BP Petroleum Development										100	88,000	85,000
CANADA												
Triad Oil										62 $\frac{1}{2}$	782,000	775,000
USA												
BP Oil Corporation										} 100	478,000	550,000
St. Helens Petroleum												
COLOMBIA												
BP Exploration (Colombia)										100	332,000	285,000
GERMANY												
Gewerkschaft Norddeutschland										100	2,000	2,000

*Including Apex (Trinidad) Oilfields and Kern Trinidad Oilfields

Sea transport

At the end of 1968, BP's fleet and those of its subsidiary and associated companies totalled 132 ships of 4,179,000 tons*, compared with 128 ships of 3,966,000 tons at the end of 1967. During 1968 four new vessels totalling 183,000 tons were commissioned. Adjustments to deadweights to conform with new loadline regulations accounted for a further increase of 30,000 tons. We also have 5,388,000 tons of shipping on long-term charter and a number of ships on short-term charter.

The group has under construction or on order a further four specialised product carriers totalling about 96,000 tons, two vessels of 240,000 tons each and seven vessels of about 215,000 tons each. We have arranged long period charters on a number of tankers of about 200,000 tons each, due to enter our service for periods of between three and 15 years, beginning in 1969/71. When these arrangements are completed we shall have 29 very large crude oil carriers at our disposal.

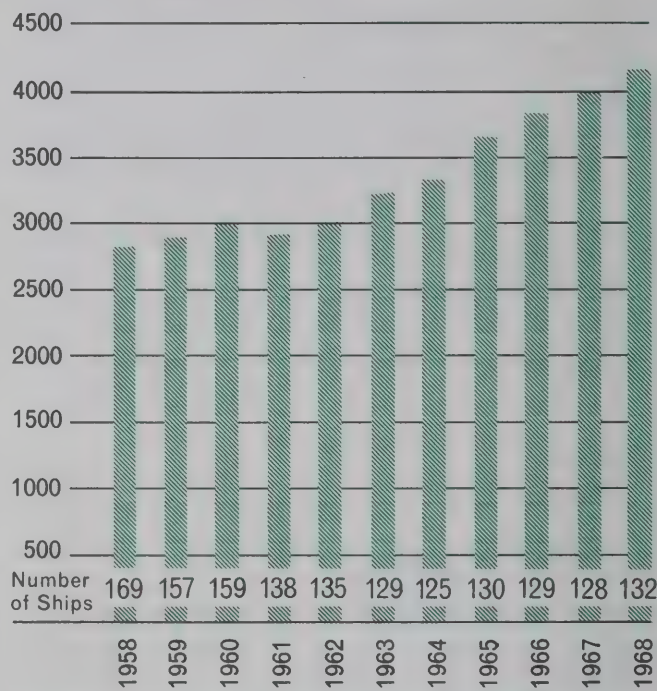
For our activities in the United States, a considerable amount of US flag shipping will be required for the movement of oil from south Alaska to the US mainland. We have already arranged for two 80,000 ton vessels to be built in the US on our behalf. We are contributing \$2 million to an experiment due to take place this summer in which the US tanker 'Manhattan', after undergoing suitable modification, will conduct ice trials in the Arctic. The result

*Tonnes given throughout in deadweight tons.

BP GROUP

Tanker Tonnage

Thousand Deadweight tons



will help to establish the practicability of movement through the North West Passage from north Alaska to the Atlantic.

Pipelines

Arising from joint studies carried out during the year, BP Oil Corporation have associated with Atlantic Richfield and Humble in a project to construct a 48-inch diameter pipeline 800 miles long, to move crude oil from the North Slope of Alaska to a terminal to be built in the Gulf of Alaska.

In Europe, we have made arrangements for the use of the Havre-Paris line to supply crude oil to the refinery under construction at Vernon. The Adriatic-Vienna line, in which we have an interest of 7½ per cent, is expected to come into operation in the

latter half of 1970. The new 20-inch pipeline from Finnart to Grangemouth, to complement the refinery expansion scheme, has been commissioned.

Among product pipelines, a major part of the pipeline from the Thames to the Mersey was commissioned during 1968. Two others in Europe are due to be commissioned early in 1969. These are the link from our Rotterdam refinery to the Rhine-Main line and the Mediterranean-Rhône line, in which we have an interest of 8½ per cent. Economic studies for a spur from the latter to Switzerland are nearing completion, and this scheme is expected to be operational in 1970.

Refining

In 1968 the crude oil processed on our account in our wholly and partly-owned refineries, or refined under arrangements elsewhere, was 94 million tons compared with 84 million tons in 1967.

The number of wholly-owned refineries as shown on pages 36 and 37 is 15, but through our deal with Sinclair and Atlantic Richfield in March 1969 we acquired two more in the USA, so that the total is now 17. The number of partly-owned refineries is 24, as we have recently acquired a share in the refinery at Freetown, Sierra Leone, of which we are managers.

The partly-owned refineries at Umtali, Rhodesia, and Port Harcourt, Nigeria, have been inoperative throughout 1968. The latter is now being rehabilitated and should be back in service in 1970.

Record throughputs were achieved at Belfast, Dunkirk, Grangemouth, Hamburg (including the Schindler refinery), Llandarcy, Montreal, Singapore and Trafalgar, and on our account at Abidjan, Aigle, Antwerp, Dakar, Mersin and Tripoli.

Two entirely new refineries are under construction, one at Vernon near Paris and the other at Volpiano near Turin, which will together add 6 million tons a year to our processing capacity. A large expansion at Rotterdam, which would raise the capacity from 4.5 to 14 million tons a year, is being considered. Tenders have been invited for the new partly-owned refinery to be built at Larnaca in Cyprus. Negotiations continue for the acquisition of a site for a new refinery at Graz, Austria, in which we expect to have a shareholding.

Work has proceeded during the year on several expansion schemes. The largest of these is at Grangemouth, where capacity is being raised from 4.5 to 9 million tons a year. This scheme also includes a large hydrocracker for the conversion of fuel oil into light distillates which will be used for chemical feedstocks and motor spirit. The catalytic cracking units at Kent, Llandarcy and Grangemouth have all been expanded to increase high octane gasoline production. Increased lubricant production is planned at Llandarcy. At Belfast, white oil storage and loading facilities for road vehicles and coastal vessels are being expanded.

In Australia, bitumen loading facilities have been completed at Westernport, and the catalytic reforming capacity at Kwinana is being increased. Both these refineries are being equipped to handle the new indigenous Gippsland oil. The expansion of the

partly-owned Whangarei refinery in New Zealand is being considered.

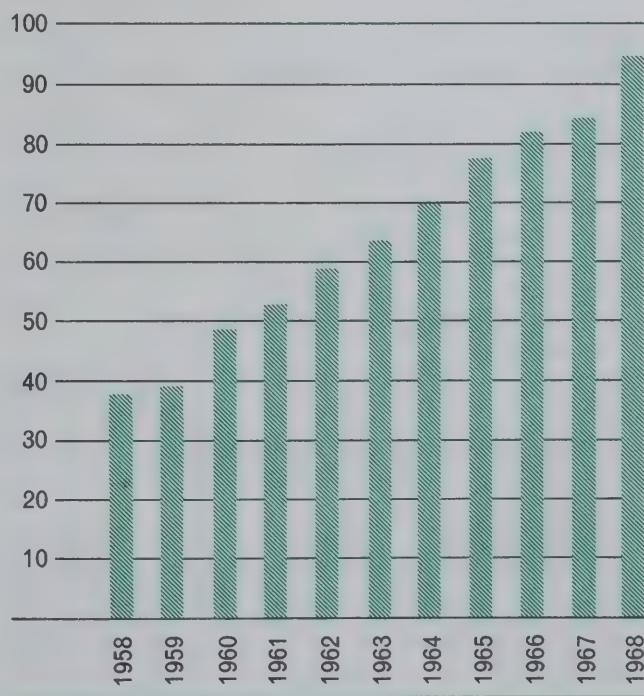
At Montreal, we are building a new hydrofiner for gas oil treatment, an additional liquid petroleum gas unit and facilities for blending and loading bitumen. It is intended also to modify the second distillation unit at this refinery to raise capacity to 3.3 million tons a year.

In Europe a hydrocracker, using the BP process developed at Sunbury, is to be built at Lavéra to increase gas oil production. At Antwerp, the current expansion programme includes a new bitumen plant and sulphur recovery unit; an alkylation unit also is planned. A new plant for wax treatment by the BP hydro-finishing process has been completed at Dunkirk. A bitumen plant of 200,000 tons a year capacity has been commissioned at Vohburg. A new catalytic reformer for motor spirit production is to be built at Venice. The scheme to increase the capacity of the Mersin refinery from 3.5 million to 4.5 million tons is nearly completed. New catalytic cracking and alkylation units are well advanced at Durban. A new lubricating oil plant for Mombasa is in the planning stage.

BP GROUP

Refinery Throughput

Million Long tons



Refinery throughput

Company						Refinery Location	BP Group Shareholding Per cent	Total Throughput	
								1967 Tons	1968 Tons
UNITED KINGDOM									
BP Refinery (Kent)						Isle of Grain	100	9,369,000	9,593,000
BP Refinery (Llandarcy)						Llandarcy	100	6,583,000	6,791,000
BP Refinery (Grangemouth)						Grangemouth	100	4,246,000	4,426,000
BP Refinery (Northern Ireland)						Belfast	100	1,054,000	1,088,000
ADEN									
BP Refinery (Aden)						Aden	100	5,653,000	4,934,000
AUSTRALIA									
BP Refinery (Kwinana)						Kwinana	100	2,895,000	3,268,000
BP Refinery (Westernport)						Westernport	100	1,245,000	1,205,000
BELGIUM									
Société Industrielle Belge des Pétroles						Antwerp	50	9,271,000	11,599,000
CANADA									
BP Refinery Canada						Montreal	100	1,678,000	2,487,000
						Trafalgar (Ontario)	100	1,432,000	1,572,000
EIRE									
Irish Refining (through Shell-Mex and B.P.)						Whitegate	16	2,423,000	2,269,000
FRANCE									
Société Française des Pétroles BP						Dunkirk	70	5,063,000	5,067,000
						Lavéra	70	4,623,000	4,560,000
Raffinerie de Strasbourg						Strasbourg	23½	4,072,000	4,132,000
GABON									
Société Equatoriale de Raffinage						Port Gentil	3	90,000	697,000
GERMANY									
BP Benzin und Petroleum						Hamburg	100	3,657,000	3,670,000
						Dinslaken (Ruhr)	100	4,734,000	4,587,000
						Vohburg	100	—	2,180,000
Oelwerke Julius Schindler						Hamburg	99½	485,000	579,000
IRAN									
Iranian Oil Refining (through Iranian Oil Participants)						Abadan	40	19,356,000	19,763,000
ITALY									
Industria Raffinazione Oli Minerali						Venice	49	3,127,000	3,055,000
Dott. Edoardo Garrone Raffineria Petroli						Genoa	20	5,532,000	4,630,000
IVORY COAST									
Société Ivoirienne de Raffinage						Abidjan	10½	647,000	696,000
KENYA									
East African Oil Refineries						Mombasa	25½	1,841,000	1,887,000

Refinery throughput

Company							Refinery Location	BP Group Shareholding Per cent	Total Throughput 1967 Tons	1968 Tons
KUWAIT										
Kuwait Oil	..	..	..	..	..	..	Kuwait	50	10,961,000	11,489,000
LEBANON										
Iraq Petroleum	..	..	..	..	..	..	Tripoli	23 $\frac{3}{4}$	889,000	1,004,000
MALAGASY REPUBLIC										
Société Malgache de Raffinage	..	..	..	..	..	..	Tamatave	6 $\frac{1}{2}$	364,000	429,000
NETHERLANDS										
British Petroleum Raffinaderij Nederland	..	..	..	..	..	..	Rotterdam	100	2,102,000	4,519,000
NEW ZEALAND										
New Zealand Refining	..	..	..	..	..	..	Whangarei	15	2,498,000	2,688,000
NIGERIA										
Nigerian Petroleum Refining	..	..	..	..	..	..	Port Harcourt	25	829,000†	—
RHODESIA										
Central African Petroleum Refineries	..	..	..	..	..	..	Umtali	20 $\frac{3}{4}$	—	—
SENEGAL										
Société Africaine de Raffinage	..	..	..	..	..	..	Dakar	11 $\frac{3}{4}$	516,000	560,000
SINGAPORE										
BP Refinery Singapore	..	..	..	..	..	..	Singapore	100	723,000	834,000
SOUTH AFRICA										
Shell and BP South African Petroleum Refineries	..	..	..	..	..	..	Durban	50	3,554,000	3,865,000
SUDAN										
Shell and BP (Sudan)	..	..	..	..	..	..	Port Sudan	50	740,000	625,000
SWEDEN										
BP Raffinaderi (Göteborg)	..	..	..	..	..	..	Gothenburg	100	788,000	3,815,000
SWITZERLAND										
Raffinerie du Sud-Ouest	..	..	..	..	..	..	Aigle	24 $\frac{1}{8}$	2,064,000	2,223,000
TURKEY										
Anadolu Tasfiyehanesi	..	..	..	..	..	..	Mersin	17	3,206,000	3,566,000

† Throughput to 8 July 1967.

The first lubricating oil blending plant in Malaysia is being built at our Port Swettenham installation.

Good progress is being made with the facilities for 200,000 ton tankers which we expect to be receiving during 1969. The jetties at Angle Bay and Fos near Lavéra are complete and at Finnart and Rotterdam

are well advanced. At Durban it is planned to install a single-buoy mooring to accommodate such vessels. Work on the new Venice oil harbour, to handle 70,000 tonners, is expected to be completed towards the end of 1969. At Singapore, a new jetty for coastal vessels has been completed.

Chemicals

Sales of petroleum chemicals by group and associated companies to third parties amounted to 2.9 million tons in 1968 compared with 2.3 million tons in 1967. Net consumption of the group's petroleum products attributable to these operations was about 3.3 million tons compared with 2.7 million tons in 1967.

United Kingdom

Demand for chemicals and plastics was good, and the value of turnover increased more than 15 per cent. This would have been greater but for shortage of capacity for a number of products.

During the year the efficiency of several plants was not as good as we would have hoped and problems were increased by delays in commissioning new plants, particularly the ethylene plant at Grangemouth. Most of these problems have now been overcome.

Other plants commissioned included a butadiene extraction unit at Grangemouth and a normal paraffins unit at Kent refinery, the latter using a BP process. Polybutenes capacity at Baglan Bay was raised appreciably, and work was started on a large new xylenes plant at Grangemouth to be owned jointly with Chevron Oil (U.K.) Limited.

The most important development was the decision to initiate a major expansion at Baglan Bay involving a total expenditure of over £60 million. It has also been decided that Forth Chemicals should build a large new styrene plant at Baglan Bay. This plant will contribute significantly to the ethylene use there and will provide feedstock for our polystyrene operations which are also being expanded substantially.

The performance of the Wulff acetylene plant at Barry continued to improve, though the efficiency of this unit is still undesirably low.

At several factories productivity agreements have been negotiated with the appropriate trade unions on a local basis, which should benefit our employees and increase efficiency.

Overseas

Naphtachimie continued to expand its sales in 1968, but in common with the remainder of French industry suffered a setback in May and June as a result of strikes and political unrest. In spite of this and the pressure on chemical prices, turnover rose

by 9 per cent. New plants commissioned included a polyether unit, an extension to polyolefins capacity and an Oxo alcohols unit, the last owned by Oxo-chimie, in which Naphtachimie has a 37½ per cent interest.

Early in the year, BP acquired the Distillers' 50 per cent shareholding in Distugil, which had begun to make polychloroprene rubber in 1966. During 1968 the capacity of the polymerisation and finishing facilities was doubled.

Turnover of Erdölchemie increased by 15 per cent compared with 1967. The existing cracking units again operated at full capacity and, with the first full year of operation of the ammonia and No. 2 acrylonitrile plants, there was a sharp rise in production. Butadiene capacity was doubled. A large new ethylene unit and a polyethylene plant are under construction, and BP and Erdölchemie are participating in a pipeline scheme to link a number of producers and consumers of ethylene in the lower Rhine area.

Deutsche BP und California commissioned a 20,000 tons per annum paraxylene plant at our Vohburg refinery in Bavaria.

Kuwait Chemical Fertilizer Company increased its output by 60 per cent compared with 1967.

In Australia, the nitric acid and ammonium nitrate plants of Kwinana Nitrogen Company were commissioned at the end of 1968.

In South Africa, Sentrachem completed its first full trading year, and acquired Agricura Laboratoria as a wholly-owned subsidiary. Plants for the production of detergent alkylate and synthetic rubber latices were commissioned during 1968.

In India, Herdillia Chemicals, in which we acquired from Distillers a 22⅔ per cent interest in 1968, began operations with the commissioning of plants for the manufacture of phenol, acetone, diacetone alcohol, phthalic anhydride and plasticisers.

Research and development

The research and development department has made a number of contributions to operations. Substantial improvements were effected in the production of general purpose polystyrene at Stroud, and a new BP process for making high impact polystyrene was successfully launched.

A process for the recovery of by-product acetone from the Hull acetic acid plant has recently been developed which will improve the economics of the operation.

Sales and marketing

Group sales of crude oil and refined products, including chemicals, amounted to 141.9 million tons, an increase of 10.5 per cent over 1967. These were distributed as follows:—

Group Sales in Million Tons			
		1967	1968
United Kingdom	14.4	14.4	15.4
European Common Market ..	33.3	33.3	36.4
Rest of Europe	13.6	13.6	16.0
Asia	9.2	9.2	11.9
North and South America ..	8.5	8.5	9.6
Africa and the Middle East ..	4.9	4.9	5.6
Australia and New Zealand ..	3.2	3.2	3.7
		87.1	98.6
International bulk trade and bunkers	41.3	41.3	43.3
		128.4	141.9

Satisfactory increases were achieved in most of our major markets. In the United Kingdom, the volume of trade by Shell-Mex and B.P. rose 7 per cent. Larger increases were obtained in seven other countries including Belgium, Sweden and Australia. The increase in sales has been spread across all the main products.

Natural gas sales in 1968, which include the first full year's deliveries from our North Sea production, amounted to 87,717 million cubic feet compared with 47,547 million cubic feet in 1967.

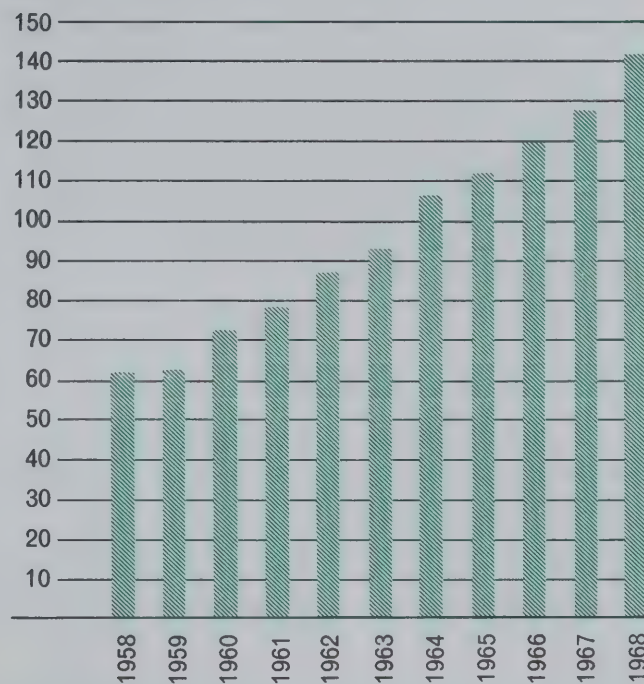
The most important development to record is the acquisition of the Sinclair marketing interests in the east of the USA. The network includes some 9,700 retail outlets with terminals and bulk plants in the states of Connecticut, North and South Carolina, Delaware, the District of Columbia, Florida, Georgia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont and Virginia.

In the eastern hemisphere, the introduction of self-service refuelling equipment is helping to reduce costs for our customers in marketing areas where labour charges are high. We are also experimenting with space-saving pump equipment, where the fuelling hose descends from the roof or canopy, to make maximum use of forecourt areas. Cheaper and better methods and materials for building service stations

BP GROUP

Sales

Million Long tons



are being developed. One experimental station in Britain has been built almost completely from plastics, and many of the component materials were made by BP.

More than 3,500 BP Autoshops are now established in various countries, selling a range of items for motorists, some of which are manufactured from raw materials supplied from within the BP group.

In the United Kingdom well over 2,000 blender pumps have now been installed on BP sites. They have been a success and motorists appreciate the wider choice of grades and prices now available.

In the domestic heating oil business much effort has been devoted to improving the standards and efficiency of the delivery service. New techniques and equipment are being introduced which can reduce our delivery operating costs by as much as one third.

International bunker sales exceeded the high level of 1967. Sales of marine lubricants also exceeded all previous years' volumes.

Fresh demands on us have been created by innovations in sea transport, such as the new container services, the hydrofoil and the hovercraft. To meet

them we have developed new facilities for fuelling and lubricating. The two container services to Australia are to be fuelled by BP, as are the cross-Channel passenger and car hover-ferries.

Exhaustive tests of BP Enerjet 53, the BP synthetic lubricant for supersonic transport, have been carried out during the past year in a number of Rolls-Royce/SNECMA Olympus 593 development engines and their associated accessory equipment running on test beds at Rolls-Royce, Bristol, and SNECMA, Paris. The lubricant is also being used in the engines of the two prototype Concorde aircraft at Filton and Toulouse. The first flight trials have now been com-

pleted successfully and the lubricant performed satisfactorily throughout.

The volume of our sales of aviation turbine fuel in 1968 reached another record total in the face of ever-increasing competition. Through the introduction of specially designed fuelling vehicles we are well prepared to cope with the large quantities and high fuelling rates required by future aircraft.

Our marketing companies continued to expand their sales volume of lubricants. Outstanding progress was made with sales of BP Super Visco-Static, which during the year was introduced by most of these companies.

Research and engineering

The Research Centre at Sunbury has given advanced scientific support to many new projects initiated or developed during the year.

Among these is a plant using the BP process for the isomerisation of pentanes and hexanes, which has been successfully commissioned in Italy. We have received many enquiries for the licensing of this process.

Research work on combustion has led to the development of a novel type of burner which can burn equally successfully either town gas or natural gas. The burner shows promise in overcoming the difficulties of using natural gas in domestic appliances.

The expertise built up over many years on the behaviour of crude oils in pipelines is playing a major role in providing data for the transportation of oil from Alaska. Our engineers, together with others from Humble and Atlantic Richfield, are preparing designs for the pipeline from the North Slope of Alaska to an ice-free port mentioned elsewhere in this survey.

The policy of encouraging British manufacturers to provide equipment for our industry normally supplied by foreign manufacturers continues. This has resulted in an order for the first large high pressure centrifugal compressor from a British firm for the Grangemouth refinery, where also the new hydrocracking plant will be equipped with some of the largest pressure vessels constructed to date. These have been designed by BP in collaboration with our contractor using the most advanced techniques and ideas in the construction of pressure vessels.

Further important developments have taken place during the year on the company's protein projects.

Work at Grangemouth has substantially improved the economics of the manufacture of protein from pure n-paraffins, and the construction of a commercial unit at Grangemouth began early in 1969.

We have completed the designs of the plant at Lavéra for our other process, based on gas oil, and construction will begin this year. Extensive toxicological and feeding trials were continued during the year. They have been conducted by an entirely independent organisation, and have confirmed that the protein concentrate we can now produce from oil will become a valuable component in feeding animals and ultimately, we would hope, for human beings. Great interest has been evinced all over the world, and requests for licences from many countries have been received. The first licence has already been granted to a Japanese company.

The work in developing this discovery has received recognition by the award of the French Society of Chemical Industry 50th Anniversary prize to the BP team of MM. A. Champagnat, B. Lainé and C. Vernet. A further scientific honour to BP staff is the first "New Scientist" award to Dr. J. K. Hambling for his work in developing an economic process for producing the feedstock for a new plastic with outstanding transparency, lightness and heat resistance.

Computers are continuing to play an increasing part in the company's planning and operating activities. The new Univac 1108 computer ordered last year has been commissioned. This is shared with Scientific Control Systems (formerly called C-E-I-R), which is responsible for the operation of the machine.

In research on the geochemistry of petroleum, attempts are being made to relate the composition of crude oils to geological factors to provide further

means of improving exploration techniques. Increasing attention is being devoted to the study of changes which organic matter undergoes in sediments, particularly under the influence of temperature, to see if this can be related to the commercial occurrence of oil and gas. The reservoir engineering research group has been closely involved in the overall planning and development of our operating areas in Libya and Abu Dhabi. Coupled with this has been

the development of mathematical models for the control of the forward planning of field operations.

Geophysical work generally has been directed towards improving data processing and the interpretation of seismic records; research is also being done in the fundamentals of seismic wave propagation. In operational field-work the main highlight has been the successful use of towed ASDIC developed at Sunbury for surveying the North Sea pipeline.

Subsidiary and Associated Companies (note 2(a) on page 23 refers)

This list contains the majority of the subsidiary and associated companies of the group indicating group percentage of equity capital. Those held directly by the parent company are marked with an asterisk, the percentage being that of the group unless otherwise indicated.

INTERNATIONAL			EUROPE (continued)		
	Country of Incorporation	%		Country of Incorporation	%
*BP Trading	England	100	United Kingdom (continued)		
BP Exploration	Scotland	100	Direct Nitrogen	England	100
BP Exploration (Associated Holdings)	Scotland	100	Forth Chemicals	England	66 $\frac{2}{3}$
BP Chemicals	England	100	Grange Chemicals	England	66 $\frac{2}{3}$
*Société Internationale de Recherche BP (parent 90%)	France	97	Honeywill-Atlas	England	50
*Tanker Insurance	England	100	*Lubricants Producers	England	20
			Murgatroyd's Salt and Chemical	England	100
			National Benzole	England	40
			Orobis	England	50
			Power Petroleum	England	40
			*Rankin, Kuhn	England	100
			Scientific Control Systems	England	100
			*Scottish Oils	Scotland	100
			Shell and BP Scotland	Scotland	40
			Synthite	England	49
			United Kingdom Oil Pipelines	England	23 $\frac{3}{4}$
			Austria		
			*BP Benzin und Petroleum	Austria	100
			*Adria-Wien Pipeline	Austria	7 $\frac{1}{2}$
			*Transalpine Ölleitung in Österreich	Austria	11
			Belgium		
			*Anglo-Belge des Pétroles	Belgium	100
			*BP Belgium (parent 89 $\frac{1}{2}$ %)	Belgium	100
			*Société Belge des Gaz de Pétrole	Belgium	50
			*Société Industrielle Belge des Pétroles	Belgium	50
			Denmark		
			*BP Olie-Kompagniet	Denmark	100
			BP Gas	Denmark	100
			Eire		
			BP Chemicals (Ireland)	England	100
			*Irish Refining	Eire	16
			Irish Shell and BP	Eire	40

SHIPPING

BP Tanker	England	100
BP Clyde Tanker	England	100
*BP Medway Tanker	England	100
*BP Thames Tanker	England	100
*BP Tyne Tanker	England	100
BP Tankers Australia	Australia	100
*Lowland Tanker	England	50
Nordic Tankships	Denmark	50
Société Maritime des Pétroles BP	France	70
*Warwick Tanker	England	50

EUROPE

United Kingdom

Shell-Mex and B.P.	England	40
Associated Octel	England	36 $\frac{3}{4}$
*Joseph Batson	England	100
Border Chemicals	England	66 $\frac{2}{3}$
BP-California	England	50
BP Chemicals (U.K.)	England	100
BP Petroleum Development	England	100
*BP Properties	England	100
BP Refineries	England	100
BP Refinery (Grangemouth)	Scotland	100
BP Refinery (Kent)	England	100
BP Refinery (Llandarcy)	England	100
BP Refinery (Northern Ireland)	England	100
Britannic Estates	England	100
*Candles	England	27 $\frac{3}{4}$

EUROPE (continued)Country of
Incorporation %**Finland**

*BP-Petko	Finland	100
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France

*Société Française des Pétroles BP	France	70
Distugil	France	50
Naphtachimie	France	30
Raffinerie de Strasbourg	France	23 $\frac{1}{4}$
Société du Pipe-line Méditerranée-Rhône	France	8 $\frac{1}{2}$
*Société du Pipe-line Sud-Européen (parent 4%)	France	6 $\frac{3}{4}$

Germany

*BP Benzin und Petroleum	Germany	100
Deutsche BP und California	Germany	50
Deutsche Transalpine Oelleitung	Germany	11
Erdölchemie	Germany	50
Gewerkschaft Norddeutschland	Germany	100
Nord-West Oelleitung	Germany	26 $\frac{1}{2}$
Oelwerke Julius Schindler	Germany	99 $\frac{1}{2}$
Rhein-Donau Oelleitung	Germany	11
Rhein-Main-Rohrleitungstransport	Germany	29

Gibraltar

*BP (Gibraltar)	England	100
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Greece

*BP of Greece	England	100
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Holland

*British Petroleum Maatschappij Nederland	Holland	100
Benzine en Petroleum Handel Maatschappij	Holland	100
British Petroleum Exploratie Maatschappij	Holland	100
British Petroleum Raffinaderij Nederland	Holland	100
Nederlandse Maatschappij voor Petroleumgassen Benegas	Holland	50

EUROPE (continued)Country of
Incorporation %**Italy**

*BP Italiana	Italy	100
*Dott. Edoardo Garrone Raffineria Petroli	Italy	20
*Industria Raffinazione Oli Minerali	Italy	49
*Società Italiana per l'Oleodotto Transalpino	Italy	11

Luxemburg

BP Luxemburg	Luxemburg	100
*Transalpine Finance Holdings	Luxemburg	11

Malta

*BP Malta	Malta	100
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Norway

*Norsk Braendselolje	Norway	50
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Portugal

*Companhia Portuguesa dos Petróleos BP	Portugal	100
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Spain

*BP Española de Petroleos Atlantic	Spain	100
	Spain	100

Sweden

*Svenska BP	Sweden	100
BP Raffinaderi (Göteborg)	Sweden	100

Switzerland

*BP Benzin & Petroleum Raffinerie du Sud-Ouest	Switzerland	100
	Switzerland	24 $\frac{1}{3}$

Turkey

*BP Petrolleri	Turkey	100
*Anadolu Tasfiyehanesi	Turkey	17
*BP Overseas Refining	England	100
*Kervansaray	Turkey	100

AFRICA	Country of Incorporation	%
*African Petroleum Terminals	USA	50
*BP Burundi (parent 90%)	Burundi	100
BP Cameroun	Cameroon	100
BP Centre Ouest Afrique	Ivory Coast	98½
*BP Congo (parent 90%)	Congo	100
*BP East Africa Trading	England	100
BP Exploration (Libya)	England	100
*BP Gabon	Gabon	100
BP Ghana	Ghana	100
*BP Natal Trading	England	100
*BP Nigeria	Nigeria	100
*BP Nigerian Developments	Nigeria	100
*BP Rwanda	Ruanda	100
BP-Shell Petroleum Development—Kenya	Kenya	50
*BP Supergas (Nigeria)	Nigeria	100
*BP (West Africa)	England	100
*Central African Petroleum Refineries	Rhodesia	20¾
Consolidated Petroleum and its Subsidiaries	England	50
*East African Oil Refineries	Kenya	25½
*Nigerian Petroleum Refining Offshore Petroleum Explorations (Nigeria)	Nigeria	25
Sentrachem	S. Africa	19¾
Shell and BP South African Manufacturing	S. Africa	33¾
Shell and BP South African Petroleum Refineries	S. Africa	50
*Shell and BP (Sudan)	Sudan	50
Shell-BP Petroleum Development—Nigeria	Nigeria	50
*Société Africaine de Raffinage	Senegal	11¾
*Société des Pétroles BP d'Afrique Occidentale (parent 95%)	Senegal	98½
Société des Pétroles BP de Guinée	Guinea	98½
*Société des Pétroles BP de Tunisie	Tunisia	100
*Société des Pétroles BP du Maroc	Morocco	100
Société des Pétroles du Sénégal	Senegal	44
Société Equatoriale de Raffinage	Gabon	3
*Société Ivoirienne de Raffinage	Ivory Coast	10¼
*Société Malgache de Raffinage	Malagasy	6½
Trek Petroleum	S. Africa	17½

AUSTRALASIA	Country of Incorporation	%
Australia		
*British Petroleum Company of Australia	Australia	100
BP Australia	Australia	100
*BP (Fremantle)	England	100
BP Minerals Australia	Australia	100
BP Oil Supplies	Australia	100
BP Petroleum Development Australia	Australia	100
BP Refinery (Kwinana)	Australia	100
BP Refinery (Westernport)	Australia	100
CSBP & Farmers	Australia	33½
Frome-Broken Hill	Australia	33½
Kwinana Nitrogen	Australia	86¾
Fiji		
BP (South-West Pacific)	Fiji	100
New Zealand		
*BP (New Zealand)	New Zealand	100
BP (Oil Exploration) New Zealand	New Zealand	100
BP Shell Aquitaine and Todd Petroleum Development	New Zealand	25
New Zealand Refining	New Zealand	15
Shell BP and Todd Oil Services	New Zealand	37½
Shell and BP Pipeline Services	New Zealand	50
Papua		
Australasian Petroleum	Australia	31¼
Island Exploration	Australia	31¼
FAR EAST		
Japan		
*BP (Far East)	England	100
Malaysia		
*BP Malaysia	W. Malaysia	100
Singapore		
*BP Refinery Singapore	Singapore	100
*BP Singapore	Singapore	100

INDIA AND PAKISTAN			WESTERN HEMISPHERE		
	Country of Incorporation	%		Country of Incorporation	%
Canada					
*BP (Indian Agencies)	England	100	*British Petroleum		
*BP (Pakistan)	England	100	Company of Canada	Canada	100
Herdillia Chemicals	India	22 $\frac{3}{4}$	BP Canada	Canada	100
			BP Exploration Canada	Canada	100
			BP Investments Canada	Canada	100
			BP Refinery Canada	Canada	100
			BP Tanker Finance Canada	Canada	49
			Triad Oil	Canada	62 $\frac{1}{2}$
			Triad Oil Manitoba	Canada	62 $\frac{1}{2}$
			Triad Petroleum Development	Canada	62 $\frac{1}{2}$
MIDDLE EAST					
Abu Dhabi Marine Areas	England	66 $\frac{3}{4}$	Colombia		
Abu Dhabi Petroleum	England	23 $\frac{3}{4}$	BP Exploration (Colombia)	England	100
Basrah Petroleum	England	23 $\frac{3}{4}$	Trinidad		
BP (Abu Dhabi)	England	100	BP (Trinidad)	Trinidad	100
*BP (Aden)	England	100	Apex (Trinidad) Oilfields	England	100
*BP (Eastern Agencies)	England	100	BP Caribbean	Trinidad	100
BP Exploration (Middle East)	England	100	Kern Trinidad Oilfields	England	100
BP (Kuwait)	England	100	Trinidad Petroleum Development	England	88
*BP Refinery (Aden)	England	100	(In members' voluntary liquidation)		
Dubai Marine Areas	England	66 $\frac{3}{4}$	United States of America		
Iranian Oil Exploration and Producing	Holland	40	BP Exploration (Alaska)	USA	100
Iranian Oil Refining	Holland	40	*BP (North America)	England	100
Iraq Petroleum	England	23 $\frac{3}{4}$	*BP North American Finance	USA	100
Kuwait Aviation Fuelling	Kuwait	20	BP Oil Corporation	USA	100
Kuwait Chemical Fertilizer	Kuwait	20	St. Helens Petroleum	USA	100
Kuwait Oil	England	50			
Mosul Petroleum	England	23 $\frac{3}{4}$			
Oil Trading (Iran)	England	100			
Qatar Petroleum	England	23 $\frac{3}{4}$			

Note: The following wholly-owned companies have been formed since 31st December 1968

United States of America

British Petroleum (Holdings)
BP Eastern Pipe Line Corporation
BP Pipe Line Corporation

Holland

British Petroleum N.V.

THE BRITISH PETROLEUM COMPANY LIMITED

FORM OF PROXY

I, the undersigned, being a Member of the above-named Company, hereby appoint

†The Chairman of the meeting.....

as my Proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on the 8th day of May 1969, and at any adjournment thereof.

*I wish this Proxy to be used as shown below

	For	Against
Resolution No. 1 to adopt the Report of the Directors and the Accounts	<input type="checkbox"/>	<input type="checkbox"/>
Resolution No. 2 to declare a dividend	<input type="checkbox"/>	<input type="checkbox"/>
Resolution No. 3 to re-elect LORD TREVELYAN a Director	<input type="checkbox"/>	<input type="checkbox"/>
Resolution No. 4 to re-elect MR. R. P. SMITH a Director	<input type="checkbox"/>	<input type="checkbox"/>

as set out in the Notice of Meeting.

DATED this day of 1969.

Signed.....

Name and address.....
(IN BLOCK LETTERS)

NOTES:—

1. This Proxy must be deposited at the Registered Office not less than 24 hours before the time of the meeting.
 2. In the case of a corporation this Proxy should be under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
 3. In the case of joint holders the signature of any one of them will suffice, but the names of all joint holders must be shown.
- † Delete if it is desired to appoint any other person and insert his/her name and address.
- * Please indicate how you wish your Proxy to vote with a tick in the appropriate box opposite each resolution. If no indication is given your Proxy will be deemed to have the authority to vote as he thinks fit.

The Registrar,
The British Petroleum Company Limited,
Britannic House,
Moor Lane,
London, E.C.2.



